The MORTGAGE BANKER

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What the War Is Going to Do to Real Estate Values

A mortgage officer of a big life company tells what he sees ahead for various types of real estate

By T. S. BURNETT

NONE of us can possibly know what the ultimate effect of the war will be on rents and real estate values. We suspect a great deal. We hear a great deal about various real estate barometers—but remember the man who said that the only time the barometer tells the truth is when the needle points to the place marked *change*.

That is sure to happen. It is inevitable that rents and real estate, in common with everything else, will be affected tremendously by the war.

We should not concern ourselves too much with relatively short-term changes. These are largely psychological because the public's mind centers on incidents of war rather than the war itself. We should consider the fundamental changes influencing rents and thereby affecting real estate values.

It seems to me that these are the more important of these forces:

1. *WINNING THE WAR*

Speed, not economy, must be emphasized in gathering our strength for total war. The cost is so staggering that it transcends the imagination. Of two things we are certain—*constantly mounting taxes*, at least for our generation; and now that we are in, *victory as soon as possible*. Victory is worth any price that can be measured in dollars. Everything must be subjugated to this objective.

OF the many opinions we've read in recent months about the effects of the war on real estate, prices, rents and mortgage lending, this one by Mr. Burnett seems as thoughtful and reasonable as any. He is City Mortgage Manager of the Pacific Mutual Life Insurance Company in Los Angeles.

Almost all wartime developments affect rents and real estate in some degree. Higher taxes will continue to depress both the rental and market value of larger residence properties. Contraction of the automobile industry and its allied lines has certainly decreased the demand for properties and rental reductions must follow. Higher taxes mean less accumulation of venture capital and a lessened activity in speculative real estate. Cessation of all new construction, except that which furthers our war effort, means that much unimproved property, which would have come in for development, must now remain idle and non-productive. Faced with a waiting period, it will become less valuable.

On the other hand, much residential property is in strong demand and with curtailment of new construction, both the rental and market values promise to strengthen. Industrial and warehouse properties are likewise much sought after at increasing rental and market values.

With the general lack of investment opportunity, good retail store property (particularly if strongly leased and requiring a minimum of management) commands a premium. It is now being purchased by investors at yields which seem unconscionably low in comparison to the past—and this demand promises to continue.

Farm and ranch properties are also showing considerable strength at advancing prices. There is a strong desire in many people to own a farm as an anchor to the windward and an inflation hedge.

2. *WAR INDUSTRY AND HOUSING.*

The decentralization of war industry has *accelerated* decentralization of American cities. The concentration of workers' housing surrounding defense plants presents a very perplexing question in the

light of post-war adjustment, and will be even more so unless much of the housing is of the demountable type.

3. *TRANSPORTATION*

Because of tire rationing and cessation of automobile production, the public can no longer depend on this means of transportation. As a result, properties more accessible to public transportation, shopping facilities, schools, churches and parks will be more in demand, with a resultant increase in both rental and market value. To this extent, the transportation problem will continue to act as a deterrent to decentralization.

4. *RETAIL BUSINESS*

The volume of retail sales will gravitate to the larger and stronger merchants in the central business districts because of the economy and selection in buying that will be afforded by the purchasing power of such merchants, aided by the need to make greater use of public transportation facilities.

What will it mean for the percentage lease?

Those suburban business centers developed in recent years which are dependent on both vehicular and neighborhood trade, are, in my opinion, due for a contraction in sales volume even though the latter type of business will probably increase for the everyday services which people require.

Decreasing sales volume and probable merchandise shortages, both of which may and no doubt will occur as a result of decreased manufacture of consumption goods and shortage of distribution facilities, forecast lower rents and higher mortalities in small business. In addition they mean at least temporarily decreased property values in suburban retail sections, unless they are supported by pedestrian purchasing power in the immediate vicinity of the property.

Here's a problem which may arise in connection with the merchant with stores leased under a percentage and a fixed rent. If merchandise shortages develop, will he not divert available merchandise to support the lease with a *fixed* rent to the detriment of the property covered by a *percentage* lease?

5. *SMALL TOWNS*

Certainly for the duration, the population will continue to be drained from our smaller cities by military service and the attraction of workers to defense areas. This not only diminishes the purchasing power of the community through direct loss of population, but temporarily decreases the rate of family growth. It also contributes to an aging of the remaining population whose wants are more simple. As a result, it seems safe to conclude that rentals and property values will be depreciated in many of the smaller cities throughout the country.

We have learned a great deal about real estate in the past decade—probably more than in any other comparable period. While we may sometimes wonder, I think we'll have to admit that mortgage money has become smarter. More effort is made now to deal with *facts*, loans are amortized and all this makes for greater stability of real estate values. This war will also bring some innovations in construction methods, such as prefabrication, which may be of decided value in future years.

Certainly another factor is that the *borrowers in this country are a potent political force*. It seems *unlikely* that defense housing will be thrown on the market after this war with such a depressing effect on real estate as after the last war.

Real estate is a big business. Land and improvements for the nation as a whole are valued at more than 240 billion dollars, or approximately 56 per cent of our total national wealth. Over a period of years, good real estate has lost no repute. The discriminating buyer and lender must therefore determine, in the face of these conditions, *what real estate is good and most likely to remain so*. This is the meat of the whole problem.

Following a series of papers on various subjects pertaining to the mortgage business presented by institutional investors at the MBA convention in New York last Fall, a number of us were accused of being pessimistic.

I suppose that was because it is the nature of our business to deal in *futures*, and who of us, in our thoughts today, does not find that they turn toward a forecast of the future which, to say the least, is not the most optimistic. But there is no room for pessimism in America today. These are times for courage and hopefulness which, when tempered with realism, combat pessimism and the all too present temptation to fall into doubt, mistrust and skepticism. What a toll these evils have taken in the past in undermining confidence in real estate!

Real estate will still be *good—after* we win this war.

I'm looking ahead on that basis and no other.

Should We Stop Making and Retaining Mortgages in Combat Areas?

By E. L. GRAGG

SHOULD lenders continue making and retaining loans in combat areas is a new question for mortgage men in many parts of the country.

MR. GRAGG says there is no reason why lenders should get out of lending territories because they are likely to be attacked by the enemy. He is president of the Oklahoma MBA and of the Realty Mortgage and Sales Company of Oklahoma City.

And what is a "combat area?"

Under the Interceptor Command setup, the combat zone or area extends the full length of our sea coasts, both Atlantic and Pacific, and our Gulf Coast. The depth extends 300 miles inland from the sea. If our land should be invaded and actual fighting should take place within our own borders, the combat area might take on an entirely different meaning. Since we are not now experiencing actual combat within our borders, let us assume that combat areas for our purpose here, means seacoast areas most likely to be attacked by bombing or shelling or by troops landed by our enemies.

With our hundreds and hundreds of miles of shore line, it doesn't seem possible that all of it can be attacked. It is possible and probable that some of our coastal cities will be bombed or shelled;

and if so, there will be damage to mortgaged properties.

If we try to curtail lending at all possible attack points, we would have to eliminate from our lending territories such cities as Los Angeles, San Francisco, San Diego, Houston, Galveston, New York City, Boston, Washington, Philadelphia and many others.

I don't think we should penalize our great coastal cities by ceasing to make new loans or renew maturing loans in those cities. Those cities are our first line of defense. Any damage they suffer is for the defense of us all, and the cost should be borne by all.

It *could* be said: "Do not ever make a mortgage loan. It is dangerous—you might have to foreclose and take a loss." And it happens all the time but we go right on lending.

Within a week after Pearl Harbor, the government took steps to provide protection to property owners and mortgage holders against loss of property because of enemy action. The RFC established the War Insurance Corporation, later named War Damage Corporation, with a capital of $100,000,000. This action was taken so that citizens might be assured that material losses of war would be carried by *all of the people through their government* rather than by the few who chanced to suffer them.

Most of our coastal cities are in defense areas and seriously in need of defense housing. This type of housing must be financed, and I am sure all of our large insurance companies, savings banks and other lending institutions are anxious to do their patriotic duty of assisting in this financing. With the slight chance of serious damage to a large percentage of these mortgaged properties and the added protection of the War Damage Corporation, I think that a large number of our great lending institutions will, and should continue to, make and retain loans in what we now think of as "combat areas."

Should our enemies land large forces on our Eastern or Western shores and start a successful invasion inland, then it might be a different story. But why think of that? They can be licked and they will be licked long before they get a foothold on our sacred soil!

Maybe the "Horseback Appraiser" Will Become More Reality Than Joke

By SETH H. MORFORD

WHAT are inspectors and appraisers going to do for transportation? This wartime mortgage problem principally concerns FHA loans scattered over a great deal of territory. Other classes do not require as much transportation and rubber, which we now realize is the most important factor in transportation.

An inspector ought to see that the building actually exists. When there are a number of servicing agents or lending institutions in the same locality, such inspections as those required annually might be arranged for by joining forces and having all inspections in a district made by one agency. This would require little transportation except to get to the district, which is generally served by public transportation.

As for the appraiser, if we examine late publications on determining values it doesn't seem that viewing the property is really one of the essential procedures. By the time he has used all the analyzing processes, little more is needed.

Of course it isn't a pressing problem now, but it might be before too long—this question of where's the rubber coming from to get inspectors and appraisers around. Mr. Morford isn't too much concerned. He thinks that some of the same old past mistakes in appraising will continue to be made and that somehow we will get along all right. He is president of Burwell & Morford, Inc., Seattle.

There are so many factors to be considered if appraising is done according to the book that the work can just as well be done in an office with charts and maps and a photograph as looking at the house through an automobile window. There are several surveying services which will furnish a plat of the ground showing dimensions of land, building and photograph of the improvements and surroundings. Seeing the interior is a problem, but looking over the plans and specifications may eliminate even that.

I would not for a moment suggest that there are not just as conscientious and competent appraisers as there are specialists in other fields, but when the going is hard and there are so many methods, some of the short cuts have quite an appeal. Samuel Johnson is quoted in one of the appraisal books as saying, "Knowledge is of two kinds: we know a subject ourselves or we know where we can find information upon it."

Following this are complete instructions on how to analyze a property and arrive at its value by various methods of inquiry such as the Market Approach, Cost Approach and Income Approach, and question of neighborhood. That is knowing where we can find information.

Then along comes the Director of Underwriting of FHA, Curt C. Mack, who says, "Throughout this period (since June, 1940) FHA, in a large degree, has refused to recognize increase in construction costs in determining its valuation of new home properties submitted to it for appraisal in connection with mortgage insurance applications." Sale prices have followed cost prices and so have rental values—so all their approaches have gone awry, and as far as Samuel Johnson is concerned, we are back to the one kind of knowledge—"that we know what we know."

Appraisers can get along with less transportation and still go on appraising somewhat according to (I am sorry to say) who they are appraising for. If it is cities, counties or governments wishing to condemn property they are going to appraise *low* or not get to make appraisals; if for contestants, then it will be according to their clients' interest; and if it is for a lending institution, it will be for sufficient amount to get the loan.

After all, even the conscientious appraiser on a wet drizzly day will see things less rosy than on a bright sunny

morning; and whether we have transportation or not, appraisals will be good so long as properties are advancing in value and bad when depression is ahead or a colored family moves into the block.

Whether the rubber is all gone and we have a substitute or not and as we look over the property after the good borrowers have paid and the poor ones have not, a few years after the loans were made on our own or someone's appraisal, the question will still be asked, "What was the matter with the fellow that approved this loan? He must have been a horseback appraiser."

Of the Likely Draftees, Which Groups Are Eligible for Mortgage Loans?

By **S. E. SNYDER**

UNTIL December 7 our country was the Arsenal of Democracy. Now we are an arsenal of man power as well. Prophecy is dangerous business, nevertheless the establishment of a policy in making long-term loans to men who may be inducted into military service requires some forecast of what may occur with regard to the war. If this is so, then we may reasonably make assumptions and forecasts based on two conditions:

First, the war, conducted at great distances, will not be of short duration.

Second, a long war will lead to an armed force of 3,600,000 men by the end of 1942, and ultimately of ten million, according to government estimates.

My comments here are confined to men eligible to military draft, but the possibility of men now in other pursuits being drafted into industry for the production of the implements of war should not be ignored in considering credit extension.

Each loan applicant presents an individual case. Our policy, very briefly, might be worded about as follows: Avoid making long-term loans to persons likely of induction into the military services. Obviously this calls for determining if the applicant is likely of induction. It follows that the individual loan applicant has to be classified as to the likelihood of his induction. The known classifications are:

First, that group, now classified, and from 21 to 35 years old and in the category of 1-A or 1-B. These do not appear to be desirable borrowers because of their imminent induction. These classifications cover respectively men available for general and limited service.

Group 2-A covers those in temporary deferment and likely to call. They aren't good lending prospects.

Group 2-B covers principally those men in armaments production. The attitude toward this group is to confine lending to those who are married although they have no dependents and who are key men only, such as engineers, chemists, foremen and only the skilled and experienced workmen in technical pursuits bearing upon production for war.

THE last thing anyone in the mortgage field wants to see is a lot of loan difficulties with properties owned by men likely to be called up for service. As Mr. Snyder points out, the surest way to avoid difficulties is to devise a sensible loan policy now. He is with the Investment Department of the Northern Life Insurance Company of Seattle.

Group 3, sometimes called 3-A, are men from 20 to 35 years old, married, and generally not called into service up to now. It is in this group that our greatest difficulty in selection occurs. Safe practice would dictate lending only to those who are married and have a dependent wife, at least one dependent child with the wife not employed and not recently employed.

The one group remaining concerns men above the age of 35 years recently registered but not yet classified as yet. In this group it would seem to be safe to lend to those who are married and have one or more dependents in addition to the wife, or who are married and childless but whose positions are readily identified as key positions in industry directly concerned with defense. At this time there is a general disposition not to consider that married men above thirty-five will be drafted.

Exceptions to the suggested policy occur frequently and the experienced credit executive will readily identify them. Examples are found as in the case of men otherwise likely of impairment in their income capacity through induction in some cases in which the applicant will have adequate unearned income through his net wealth, where the wife's income is clearly adequate to service the debt, or where an earnest and financially responsible co-maker guarantees payment of the debt.

Our purpose in this problem is to answer, as clearly as possible, the question of whether induction into service is likely; and if it is likely, will it result in the inability of the loan applicant to service his debt and result in loss to himself and difficulty, if not loss, to the lender.

A sound policy is essential *not only for the conservation of the lender's funds* but also in order that mortgage lenders will not find themselves in the near future compelled to institute a great many foreclosures against men in service

This action would be unpopular and unprofitable; and as far as the public and probably the courts are concerned, would be considered unpatriotic.

RIGHT YOU ARE!

In convention assembled in New Orleans the Mortgage Bankers Association of America resolved that non-defense and non-essential spending by the government just now is inexcusable and that it must be stopped. Perhaps so. But of course those bankers understand that congress is meeting in the midst of tens of thousands of highly vocal federal appointees who would be deprived of their jobs if all non-essential spending should be stopped. — Oklahoma City Oklahoman.

Get Accruing Taxes on Uninsured Loans in Advance Monthly Deposits — It Pays

By G. H. GALBREATH

I HAVE heard a good deal recently about whether borrowers should be required to make monthly deposits in advance for accruing taxes on uninsured loans. I think they should but a few years ago my answer would have been an unqualified "No."

When the practice of making monthly deposits originated, it appeared that it might involve a large amount of extra accounting work, many trips to the tax collector's office to pay taxes in a large number of individual cases, mailing out receipts, making adjustments and answering inquiries.

However, after about three years' experience in the matter and balancing the work involved under both systems, I have concluded that collecting the monthly deposit in advance, from the work angle alone, is better.

I have found by careful analysis that under the old system with the borrower paying his own taxes, even the best borrowers would often be dilatory in paying. It meant we would have to write or call several times, make extra reports to the mortgagee and make extra inspections of the tax records for the purpose of verification. When all this follow up was studied, we decided that less work was involved where the collecting and payment of taxes was handled entirely through our own office.

However, the detail work is only one angle, although in these days of increased costs, increased duties and the dislocation of experienced help because of the war, the amount of work involved in any office procedure is highly important.

About everything that can be said of tax deposits is also true of insurance deposits although the amount of work involved is not as great. More can be said about the advantages of insurance deposits if you control the insurance.

Some other advantages to the credit of tax deposits are: There is the question of additional security in loans that become trouble cases. The law of averages has not yet been repealed, amended or affected by court decisions and as long as it operates we will have trouble cases. About the first thing that confronts a lender in a trouble case, where the borrower is supposed to pay his taxes, is delinquent taxes. Maybe it is only a small amount but generally some taxes are delinquent. Under the tax deposit plan, with taxes current and probably a deposit for accruing taxes on hand we will at least come to bat in a trouble case without one or two strikes already called on us.

MR. Galbreath has tried it both ways and is sure that you can do it better if you get accruing taxes in advance monthly instalments. He cites his reasons here—not the least of which is the automatic advantage gained in trouble cases. Mr. Galbreath is president of G. H. Galbreath Company in Tulsa and a member of the MBA Board.

Another advantage is the absence of contacts with the borrower that are often irritating to him. Not that they should be, but we have found, as most mortgage men have, that the average borrower often resents being called about taxes, especially if he is a person who ordinarily looks after his business in the proper manner. Neither does he remember to bring in his tax receipts and there are a lot of people who just do not like taxes, so monthly deposits are the least painful way of handling them.

Another advantage is the idea of enforced thrift that is excellent for some people. I believe all the advantages of the monthly payment loan can be said to be true of the monthly tax deposit plan.

Borrowers often request that they be allowed to pay taxes monthly. Some prefer it the other way and we do not always make monthly deposits a requirement. We still find that a satisfied customer is an asset.

I find that a large number of lenders make handling taxes more work than is necessary. Some people seem to like to do things the hard way. Some clerks have a knack for tax matters and some will never learn. There are a lot of short cuts and helps that can be effected in tax accounting and it will pay any manager or owner of a loan business to survey the tax handling procedure in his office, study it a little to see how it can be simplified. As far as possible, keep the same clerk in charge from year to year and make friendly contacts at the tax collector's office. Maybe it would be practical to expand your Christmas list a little.

If I Were in the Mortgage Business (and Fortunately I'm Not)

IF I were in the mortgage business (and fortunately I'm not), these are the principles that would govern my approval of loans.

I would never accept a "sound" mortgage loan.

A "sound" loan is one that everybody wants. It yields a ridiculously low rate of interest for a ridiculously large loan and one must pay a bonus to the borrower (of all people!).

A "sound" mortgage is one with a remote maturity on a new house bearing a fictitious value. It includes profits and some "fake" items that never went into the value of the property.

A "sound" loan is one on a building that can be used at any time for any purpose even though the community may be overbuilt with similar buildings.

A "sound" loan is one on a building where a man sleeps and spends his money but not where he stays awake and makes his money.

A "sound" loan is one on a house with few families even though a many families building will be much more economically managed when (not if) you take it at foreclosure.

A "sound" mortgage is one on a lot with a house on it whether the house can be utilized or not—but never on a lot without a house even though the lot can easily be rented or sold.

A "sound" mortgage is one on a piece of property containing no unwaived "reversion" clauses in the building restrictions (no matter how old or how dead the reversioners are).

I would only make loans on old properties (but not too old) from which all of the "water" has been squeezed and absorbed by some previous owner or lender.

I would make only a small loan (in relation to value) and I would get plenty of such loans because "the rules" of most lending institutions prohibit even small loans on properties that are not painfully new.

I would insist on (and strangely enough, get) a high rate of interest because there will be no competition for these loans.

I would be glad to get a loan on a special purpose building if I was satisfied that there are not too many of such properties already in existence. I would prefer a small loan on the only picture show in a community instead of a large loan on a bungalow in a community where there are already too many bungalows.

I would take good loans on business property and turn down bad loans on residential property.

I would prefer a small loan on a large house to a large loan on a small house.

I would rather have a loan on a rentable and busy parking lot than on a vacant and unrentable home.

I would gladly accept loans on property with restrictions containing a "reversion" clause. Certain lenders in certain states are prohibited from taking such loans, notwithstanding the well-known fact that the best districts in any community are the ones most likely to have reversionary clauses. (Again, little or no competition.) Nobody can remember any instance where loss to a mortgagee has resulted from such a clause.

But, you say, wouldn't I use any common sense at all? That's exactly what I would do. I would use all I had to find out how (and whether) the loan will be repaid.

I would find out how much income the property will produce and what the probabilities are that the mortgagor will enjoy what income (or any income) during the life of the loan.

If the advice the author of this article gives you here can be used, it's yours with his compliments. He's a member of MBA associated with a large financial institution—more specifically he identifies himself as "not a vice president of a mortgage company."

I would make the maturity of the loan as short (and not as long) as possible and would insist that all of the revenue from the property (or almost all—you know how those things are), would be used to amortize the loan as fast as possible. I would try to get an even greater amortization (if it could be paid but I would not delude myself by requiring an amortization that cannot be paid).

If the property would not stand the loan I would try to get other property included.

Still, I may be wrong, or maybe everybody else is—who knows?

★ A LETTER TO PAUL V. McNUTT FROM MBA PRESIDENT CHAMP ★

A plan whereby MBA might become an important source of man power for highly-specialized wartime jobs pertaining to defense housing, property management and other related fields has been proposed to Paul V. McNutt, chairman of the War Manpower Commission by MBA President Frederick P. Champ.

The plan, in brief, contemplates that there are, and may likely be, many positions in the war program which require the specialized services of men such as are represented in our membership; and that, further, MBA can act as a sort of clearing house to secure the best men fitted for these positions. In his letter to Mr. McNutt, President Champ said:

"Since the inception of the war effort it has been the endeavor of this Association, which represents the mortgage lenders of the country, to cooperate with the government in every way in which our members could advance our country's war program. In addition to service in the sale of war savings bonds and stamps and in the various other fields in which the officers and personnel of our member organizations could be made effective, our major objective has been to organize and promote on a nation-wide scale, with the cooperation of the government agencies concerned, a maximum effort to provide essential war housing.

"In the advancement of this program we have concluded the first series of regional conferences and clinics throughout the western and southern United States and in these contacts with our membership in the field we have been made conscious everywhere of the desire of members of our organization to place their individual services at the disposal of the government.

"Realizing the delays inherent and unavoidable in the broad plan which the government has evolved to mobilize its civilian manpower under selective service and the values to be gained in making immediately available in many instances the specialized knowledge of men who are at present beyond the age limit specified for military service, it has occurred to us that we might provide you with an effective liaison with the members of our industry. The results presumably would meet the needs both of the government and those men who, by reason of experience in the construction industry, in engineering, in property management and acquisition, and other techniques, are admirably fitted to render special service at this time and following the period when the pressing needs of war housing, now engaging their attention, are being met in their respective areas.

"With this in mind, I am, with the approval of our Executive Committee and in harmony with our announced program of all-out cooperation as an organization, taking this means of bringing to your attention our desire and willingness to transmit to our membership the needs of the government for personnel in these specialized fields and to promptly assemble information respecting the experience, qualifications, and availability of those men in the above categories now engaged in the mortgage business and its related activities, whenever the demand for such specialized personnel develops.

"We shall be very happy therefore if you may see fit to transmit this offer to the governmental agencies concerned and to advise us as to the extent to which we may be of service to your office and said agencies so that we may extend immediate and effective cooperation."

In line with our April 15th suggestion on saving paper and all office supplies, MBA members in the future will at times receive two or more services at once rather than by separate mailing. We're doing this to conserve paper and other supplies—in other words, practicing what we preach.

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CHAPTER NOTES

Members of the Detroit MBA have voted approval of the realtors' resolution to the effect that it will be "fairer to everyone concerned, and certainly much simpler for administration, if rent control is applied to all cities selected simultaneously as of March 1, 1942." This Chapter has, in recent months, changed its regular meetings into the Clinic-type affairs. At the last one, rent control, Title VI loans and Title VI fees charged by lending institutions were on the Clinic table. At previous meetings the Soldiers and Sailors Relief Act, priorities and building materials were discussed in the Clinic manner. Detroit is now having an experience similar to that of other chapters reporting to *Local Chapter News* in that current meetings are being better attended than ever before. At recent meetings, over-flow attendance has resulted. Obvious explanation, of course, is the many changes occurring in fields related to mortgage lending.

Chicago MBA asks that Soldiers bill be sent back to committee

Mortgage bankers everywhere, it appears, can thank the Chicago MBA for a particularly important legislative achievement in clearing up certain confusing sections of Senate Bill 1842 pertaining to the Soldiers and Sailors Civil Relief Act.

The bill proposes to amend the Act to provide for the refund of deposits or installments, including interest, insurance, service and other charges, paid by persons in the military service between October 16, 1940, and the date the bill becomes law, under contracts as to which any right or option was exercised to rescind or terminate the contract or to repossess any property covered by it for non-payment of any installment falling due while the party obligated to pay under the contract was in the military service. The committee feels that the text of the bill is somewhat ambiguous. The Chapter proposed to its sponsor, Senator Gurney of South Dakota, that one section of the bill be rewritten in such a manner which will permit no misinterpretation of its meaning. The bill had been reported out of committee and was on the Senate calendar.

Senator Gurney immediately replied that he had requested that the bill be removed from the Senate calendar and referred back to the Military Affairs Committee for clarification, which was done. The Chicago MBA's Legislative Committee's record this year in studying and analyzing all national legislation—and *doing something* about those bills affecting mortgage banking—gets a high rating in any review of Association activities.

President and secretary of MBA of Baltimore quit to go to war

The war is making inroads into the MBA membership. While the Association regrets the loss of the aid and cooperation of the men who are going into our armed forces (as it happens they are among those who do the most to advance MBA's interests) we are naturally proud that men of this calibre give up their civilian activities to serve their Country.

The Baltimore MBA has been hit hard. Albert Keidel, Jr., Chapter secretary, has just been commissioned a lieutenant in the Coast Guard and is now on active duty. James W. Rouse, Chapter president, has been commissioned a lieutenant in the Naval Reserve and will report for duty in August. Both have resigned their posts with the Baltimore chapter and a committee consisting of Theophilus White, Guy T. O. Hollyday and Joseph Hisley has been named to consider nominations for the vacancies.

Local Chapter News previously reported J. J. F. Steiner being commissioned a lieutenant colonel in the armored division. We know of two leading life company members who expect to enlist and an MBA board member who expects to enter service soon.

Dayton Lystrom, formerly with M. R. Waters & Sons of Minneapolis, before he entered the service, recently turned in a perfect score in the army's mechanical aptitude test—the first ever made at Ft. Snelling where he is stationed and the *second* ever made in the United States.

Now what else is new among MBA members who are in the service or are likely to be? A note about them will be appreciated.

Chapter hangs up good record in serving lending interests

The Baltimore MBA recently took the lead in opposing an USHA four-million dollar housing project, not against the project itself but because it was to be built in an area where the Chapter's recent survey of defense housing plainly showed there was no shortage (*for description of survey, see Local Chapter News, March 15, 1942*). There were two other sections where the survey indicated shortages did exist. At a meeting of the Regional Labor Supply Committee of the WPB, a Chapter member spoke on the subject and this Committee then joined in the opposition. The efforts were unsuccessful, however, and the project went forward. The Baltimore Chapter's survey, which we recently described as being one of the outstanding local Association efforts of the past year, attracted the attention of the National Resources Planning Board. As a result, conferences with the regional chairman were held and the organization is now making a complete survey of housing, transportation, labor supply and other factors.

As told elsewhere in this issue, Baltimore is losing its president and secretary, James W. Rouse and Albert Keidel, Jr., to the armed forces. Both men have made enviable records in bringing this local Chapter to a position where it has been able to accomplish much for mortgage lending in Baltimore.

Discussions of the stop-order on building, priorities and allocations made up the recent meeting of the Minneapolis

(*Continued next page*)

MBA. According to Harold J. Dunn, secretary, the Chapter will hold regular meeting luncheon meetings rather than in the afternoon. Recent experience shows that better attendance can be secured.

New Jersey MBA Chapter now has representative membership

Robert Irving, vice president, W. A. Clarke Mortgage Company, Philadelphia, and editor of the MBA *Washington Letter*, was a principal speaker at the recent Northern New Jersey MBA meeting and described the method he uses in following capital events pertaining to mortgage lending. Addison K. Barry, The National Newark & Essex Banking Company, addressed the group on Mortgage Loans from War Housing and gave the viewpoint of the commercial banker. John F. Mylod, president, Mortgage Corporation of New Jersey, gave the viewpoint of the mortgage originator.

The New Jersey Chapter, not yet three years old, has made a particularly noteworthy record in its membership drive and now has 30 members representing a very substantial portion of the mortgage lending interests in its area. Many of the largest banks, life insurance companies and title companies are represented in the roster. Towns and cities represented include Caldwell, Elizabeth, East Orange, Irvington, Jersey City, Newark, Passaic, Paterson, Prospect Park, Ridgefield, Teaneck and West Englewood.

BRIEF MENTION . . . **H. F. Whittle,** president, H. F. Whittle Investment Co. of Los Angeles, and a member of the MBA board of governors, has been appointed chairman of that city's Fair Rent Committee by the Mayor of Los Angeles . . . We're sorry that the New Haven, Atlanta and Nashville Clinics had to be cancelled but it was a matter of "biting off more than we could chew" in the time available for the regional meetings. We hope to get there in our next series.

Recent sick list: **R. O. Deming Jr.,** who's been laid up since November with an injured leg as a result of an automobile accident, recently underwent an operation in St. Louis . . . he's improving rapidly but the leg won't be entirely sound for some time . . . **W. Eugene Harrington,** board member from Atlanta, and **William L. King,** board member from Washington, D. C., have also been ill but are on the mend now.

Chicago MBA Against Proposed Patman Bill; Suggests Changes to Sumners

The Chicago MBA has voiced its opposition to the Patman Bill (*H. R.* 6760, *sent to MBA members March* 30) which proposes the "modification of leases and the staying of enforcement of foreclosure under mortgages" for dealers in articles or commodities now under federal rationing.

This bill, if passed in its present form, holds great potentialities of harm to mortgage lending interests.

Owners of commercial real estate face a threat to their property which seems so serious that it might even be termed a partial confiscation of capital if the proposed bill becomes law, President Frederick P. Champ thinks.

The bill provides that anyone whose principal business is in articles or commodities coming under the government's rationing system, can institute proceedings to be fully relieved of his liabilities under a lease and partially relieved under a mortgage or trust deed.

"The bill, in effect, says that a man whose principal business has been in a commodity or article now under rationing control, has the right to be relieved of one of the principal items in his operating expenses—his rent or, if his property is mortgaged, his principal payments. That can only mean that his obligation is being shifted to the owner of the property. In other words, because war has brought rationing, it is proposed to make the property owner assume one of the principal burdens resulting from it while relieving the renter or the mortgagor of his obligations. Not many suggestions made in the past ten years so flagrantly violate the sacredness of a mutual contract," Champ said.

"Automobile, tire and refrigerator dealers are obviously within the scope of the proposed legislation; conceivably hardware, shoe and all sorts of dealers might be embraced by the law later. It is entirely conceivable that before the war has been brought to a successful conclusion, a large part, if not even a majority, or commercial renters or mortgagors might have a right to ask for this so-called relief. Many of these properties are owned by institutions or the loans on them are held by institutions. They, in turn, represent millions of policyholders who will naturally be adversely affected by the law.

"I fully appreciate the motive behind the bill and the desire to help the small business man who, through no fault of his own, finds his business drastically curtailed or shut down entirely. But there is certainly no reason to make property owners do all the suffering and make all the sacrifices."

The Chicago MBA takes a somewhat similar view and feels that while dealers who are temporarily deprived of dealing in rationed articles or commodities, are entitled to some sort of relief, it should not be entirely borne by the property owner.

Chicago MBA suggests that the bill be amended so that proceedings for relief should be limited to United States district courts and not extended to state courts. The Chapter thinks a dangerous precedent would be established if matters closely related to, or tantamount to, bankruptcy should be presented to state courts.

The Chapter also feels that the bill should be changed so that when lessees seek relief, the court may require surrender of possession of the premises and cancellation of the lease rather than give the court permission only to order cancellation upon surrender of possession of the premises.

As to staying of enforcement of mortgage obligations, the Chapter contends that payments of not less than a fair rental for the premises must be made; and, further, that any disposition of the case must provide that there be no cancellation of any of the indebtedness either as to interest or principal, except by mutual agreement.

The Chapter also asks that the provision making it possible for the court to modify the lease or grant deferment of payments should be eliminated "because if," says the Chapter, "the court has power to cancel the lease and order surrender of the premises, a modification or such other disposition is more likely to be agreed upon between the parties without resorting to court action."

The Chapter's suggestions have been sent to Hatton W. Sumners, chairman of the house judiciary committee, Congressman Wright Patman and two Illinois congressmen.